

EXECUTION COPY

IMPLEMENTATION AGREEMENT

This IMPLEMENTATION AGREEMENT (the “Agreement”), dated as of December 31, 2002, by and among the ATTORNEY GENERAL OF THE STATE OF CALIFORNIA (the “Attorney General”), the KINGS RIVER CONSERVATION DISTRICT (the “District”), the CALIFORNIA CONSUMER POWER AND CONSERVATION FINANCING AUTHORITY (the “Authority”), and the DEPARTMENT OF WATER RESOURCES with respect to its responsibilities pursuant to the Department Act (as hereinafter defined) regarding the Fund (as hereinafter defined) separate and apart from its powers and responsibilities with respect to the State Water Resources Development System (in such capacity, the “Department”) (each individually a “Party” and collectively the “Parties”).

RECITALS

WHEREAS, the Governor of the State of California, acting on behalf of the agencies, departments, subdivisions, boards, and commissions of the executive branch of the State of California, including without limitation the California Department of Water Resources; the California Electricity Oversight Board; the California Public Utilities Commission; the People of the State of California, by and through the Attorney General; The Williams Companies, Inc.; and Williams Energy Marketing & Trading Company and other named parties entered into a Settlement Agreement as of November 11, 2002 (the “Settlement Agreement”);

WHEREAS, the Settlement Agreement, among other things, transferred and assigned to the Attorney General six (6) LM 6000 Gas Turbine Generator Sets and all related rights thereto;

WHEREAS, certain payments have or will be were made to the Attorney General pursuant to the Settlement Agreement;

WHEREAS, the Attorney General is willing to transfer two LM 6000 Gas Turbine Generator sets and related rights to the District in order to assist the District in the developing, acquiring, constructing and operating of a generating facility in the District;

WHEREAS, the Settlement Agreement provides for payment of “Cash Consideration” to a fund to be created in the Authority for costs associated with siting and installation of the LM 6000 Gas Turbine Generator Sets to be obtained by the Settlement, and the Attorney General is willing to allow the District access to and use of certain moneys from such fund in order to assist the District in the development of a facility (or facilities) incorporating certain of the units;

WHEREAS, the Department and the District have entered into the Power Purchase Agreement;

WHEREAS, the Parties wish to set forth herein the undertakings of the Parties with respect to the matters set forth above,

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless otherwise defined herein or in any appendix hereto, the following terms shall have the respective meanings in this Agreement:

“Assets” means the two (2) LM 6000 Gas Turbine Generator Sets described as Units No. 5 and Unit No. 6 in the GE Agreement and all rights with respect thereto under the GE Agreement relating thereto.

“Authority Option Date” means December 31, 2003 or as such date may be extended in six month increments on approval in the sole discretion of both the Authority and the Attorney General for good cause. (Good cause shall exist if the District has been granted an extension of time to acquire Facility site(s) or to obtain necessary permits and approvals for the Facility.)

“Bill of Sale” means, collectively, the Bill of Sale, Assignment and Assumption Agreement(s) providing for transfer and assignment of the Assets to the District or its designee(s) in the form attached as Schedule 3.2(b) to the Settlement Agreement.

“Closing Date” means the date selected by the Attorney General as the closing date in January, 2003.

“Commercial Operation Date” means (a) if the Facility is undertaken pursuant to Section 3.01(a), Commercial Operation Date shall have the meaning set forth in the Power Purchase Agreement, and (b) if the Facility is undertaken pursuant to Section 3.01(c), Commercial Operation Date shall have the meaning set forth in the agreement providing for the acquisition and construction of the Facility between the District and a prime contractor.

“Department Commitment Time” shall have the meaning set forth in the Power Purchase Agreement.

“District Shortfall Amount” means any amounts expended by the District in excess of the Escrow Amount.

“Environmental Audit” means a Phase One environmental site assessment (the scope and performance of which meets or exceeds ASTM Standard Practice E1527-93 Standard Practice for Environmental Site Assessments: Phase One Environmental Site Assessment Process) of the Facility.

“EPC Contract” means a contract by and between the District and a creditworthy contractor for the engineering, procurement and construction of the Facility at a fixed price in form and substance reasonably satisfactory to the Department and the District and approved by

the Authority, if such approval provision is part of any development agreement entered into between the District and the Authority.

“Escrow Account” means the Escrow Account established under the Escrow Agreement and held and administered Escrow Agent.

“Escrow Agent” means the escrow agent or any successor thereto under the Escrow Agreement.

“Escrow Agreement” means the Escrow Agreements between the Escrow Agent and the District substantially in the form attached hereto as Exhibit 1.

“Facility” means an electric generation facility or facilities including the Assets to be located within the District with all other property, structures, equipment necessary for the generation and transmission of power.

“Facility Agreements” means (a) if the Facility is undertaken pursuant to Section 3.01(a), this Agreement, the Power Purchase Agreement, the EPC Contract, the Management Agreement(s), the Bill of Sale and the Escrow Agreement, and (b) if the Facility is undertaken pursuant to Section 3.01(c), this Agreement, the Bill of Sale and the Escrow Agreement.

“Facility Cost” shall have the meaning set forth in the Power Purchase Agreement.

“GE Agreement” means that certain Agreement between State Street Trust Company of Connecticut, National Association, not in its individual capacity, but solely as Owner Trustee, and GE Packaged Power, Inc. for six LM6000 Turbine Generator Sets, dated October 18, 2001, as amended on April 16, 2002 in respect of storage of the Units, and on October 22, 2002 to extend the warranties set forth therein together with any instrument assigning rights thereunder to the District with respect to the Assets.

“Initial Bonds” shall have the meaning set forth in the Power Purchase Agreement.

“Management Agreement” means any agreement(s) executed by the District in form and substance reasonably satisfactory to the Department and the District, pursuant to which one or more creditworthy entities agrees to (a) operate and maintain the Facility on behalf of District, and (b) provide fuel procurement and management, major maintenance, transmission, scheduling, dispatch and other services on behalf of District with respect to the Facility.

“Power Purchase Agreement” means the Power Purchase Agreement between the Department and the District substantially in the form attached hereto as Exhibit 1.

“Unit” means any one of the LM 6000 Gas Turbine Generator Sets described in the GE Agreement.

ARTICLE II
UNDERTAKINGS OF THE PARTIES

Section 2.01 Undertakings. The Parties hereto each agree to enter into such agreements and perform such obligations as set forth herein, subject to such limitations as set forth herein.

Section 2.02. Transfer of Assets. (a) The Attorney General hereby agrees to the transfer, under the terms and conditions set forth in this Agreement, of all right, title and interest of Williams Energy Marketing & Trading Company in the Assets to the District as its designee under the Settlement Agreement, including all rights under the GE Agreement allocable to the Assets, and hereby authorizes the District, and shall cause Williams Energy Marketing & Trading Company, to enter into the Bill of Sale. Upon the execution and delivery of the Bill of Sale by Williams Energy Marketing & Trading Company and the District, the Attorney General shall have, and shall assert, no further interest in or claim on the Assets, except as may be set forth in this Agreement. The Attorney General agrees not to waive the execution and delivery of any consents required by Paragraph 3.2(b)(iv) of the Settlement Agreement.

(b) Subject to the Authority's option referred to in Section 4.01 hereof, the District shall be entitled to pledge or mortgage the Facility, including the Assets, in connection with the financing thereof and may exercise any and all rights with respect to the Assets as owner thereof.

Section 2.03. Deposit of Funds; Escrow Agreement. (a) The District shall enter into the Escrow Agreement on the Closing Date. To the extent received by the Attorney General under the Settlement Agreement, the Attorney General shall make deposits to the Escrow Agreement in the following amounts as soon as practicable after the receipt date for such amount as set forth below:

| <u>Receipt Date</u> | <u>Amount</u> |
|---------------------|---------------|
| Closing Date | \$1,333,333 |
| January 1, 2004 | \$1,333,333 |
| January 1, 2005 | \$1,133,333 |
| January 1, 2007 | \$ 833,333 |
| January 1, 2008 | \$ 666,667 |
| January 1, 2009 | \$ 666,667 |
| January 1, 2010 | \$ 666,667 |

(b) The Attorney General shall be obligated to deposit such amounts only to the extent necessary to fund development (and not acquisition, construction, or financing) of the Facility. To the extent amounts received pursuant to the Settlement Agreement on any particular receipt date are not sufficient to make all of the applications set forth on Schedule 4.7(d) of the Settlement Agreement for a particular payment, the Attorney General shall allocate amounts actually received on such receipt date among the applications set forth on Schedule 4.7(d) of the Settlement Agreement on a ratable basis.

(c) The District acknowledges and agrees that it shall seek monies from the Escrow Fund only for those purposes which are reasonable and necessary for the development, and not the acquisition, construction or financing, of the Facility.

Section 2.04. Authority as Determiner That Development Costs are Reasonable and Necessary. (a) The Authority shall be responsible for determining that claims submitted for payment from the moneys deposited into the Escrow Fund under the terms of the Settlement Agreement and pursuant to Section 2.03 hereof are expended for costs which are reasonable and necessary for the development, and not the acquisition, construction or financing, of the Facility.

(b) (i) Development Plan and Total Project Cost Budget. Prior to the disbursement to the District of any monies from the Escrow Fund, the District shall submit to the Authority for its review and approval, a development plan ("Development Plan") detailing the District's proposed plan for development of the Facility, and total project budget ("Total Project Budget") detailing the costs for development of the Facility. The Authority shall review such submittals for reasonableness and adequacy. All parties understand and agree that no review and/or approval by the Authority shall relieve the District (or its contractors, consultants, or agents) of any obligation to independently determine the reasonableness and adequacy of costs for development of the Facility.

(ii) Periodic Development Budgets. The District shall submit to the Authority a development budget for each calendar year by not later than December 1 of the prior calendar year; provided, however, that the District shall submit the development budget for calendar year 2003 by not later than February 1, 2003 ("Periodic Development Budget"). Such budget shall itemize each cost to be incurred for the development of the Facility in such calendar year in reasonable detail. The District shall provide such additional information as the Authority may reasonably request to substantiate the development costs included in the proposed Periodic Development Budget, including, but not limited to, information pertaining to milestones achieved and the status of development activities.

(c) Authority Review. The Authority shall conduct its review of submitted items within thirty (30) days of submission by the District. If the Authority determines that the Development Plan and Total Project Budget are not reasonable and adequate, or that any cost itemized in a submitted Periodic Development Budget is not reasonable or necessary for the development of the Facility, the Authority shall so advise the District in writing. The District shall either (1) revise such submittal to overcome the objections of the Authority (i.e. adjust any cost determined by the Authority to be either unreasonable or not necessary for the development of the Facility) and resubmit the document to the Authority or (2) request that the Authority meet and confer with the District with respect to such item. If the Authority and the District are unable to agree on any material matter, the question shall be submitted to the Attorney General for determination. Any determination by the Attorney General as to such matter shall be conclusive and binding on the Parties. Any Requisition submitted to the Escrow Agent shall be signed both by the Authority and the District, and no payment of any requisition from the Escrow Account shall be paid from the Escrow Account without such written evidence of the Authority's approval pursuant to this subsection. The execution of any Requisition by the Authority shall be deemed a certification by the Authority to the Attorney General and the

Department that all such costs set forth in such Requisition are reasonable and necessary for the development of the Facility. In the event the Authority does not conduct a review of submitted items within thirty (30) days of submission by the District in accordance with this subsection (c), the Attorney General may, upon the showing of good cause by the District, extend the Authority Option Date.

(d) Requisitions for Payment from the Escrow Account. The District shall be entitled to submit a requisition ("Requisition") to the Escrow Agent for the payment of any costs incurred in accordance with the periodic development budgets reviewed by the Authority in accordance with subsections (b) and (c) above. The Authority shall review each such Requisition to determine whether such Requisition is submitted in accordance with the current development budget. The Authority may, in its discretion, reject any cost that is not in accordance with the development budget and such Requisition shall be modified to adjust or delete such cost. In the event the Authority does not conduct a review of a Requisition submitted in accordance with this subsection (d) in a timely manner, the Attorney General may, upon the showing of good cause by the District, extend the Authority Option Date.

(e) Development Agreement. The Authority and the District may enter into a development agreement providing for an allocation of such duties and responsibilities of the Authority and the District with respect to the development, acquisition and construction and financing of the Facility as the Authority and the District may mutually agree. While any such development agreement is in effect, the provisions of subsections (b), (c) and (d) above shall not apply. However, no such development agreement shall operate to diminish the Authority function as determiner that any costs for which a Requisition is submitted to the Escrow Agent are reasonable and necessary for the development of the Facility. In the event the Authority and the District enter into a development agreement, any Requisition submitted to the Escrow Agent pursuant to the Escrow Agreement shall be signed both by the Authority and the District. The execution of any Requisition by the Authority shall be deemed a certification by the Authority to the Attorney General and the Department that all such costs set forth in such Requisition are reasonable and necessary for the development of the Facility.

(f) Department Requisitions. The provisions of this Section 2.04 shall not apply to requisitions submitted by the Department for the payment of Development Costs of the Department pursuant to the Escrow Agreement.

(g) Independent District Obligation. All parties understand and agree that no review and/or approval by the Authority under this Agreement shall relieve the District (or its contractors, consultants, or agents) of any obligation to independently determine the reasonableness and adequacy of costs for development of the Facility, and/or any requisition for payment from the Escrow Account.

Section 2.05. Term. The Agreement shall expire upon the Commercial Operation Date unless terminated earlier in accordance with the provisions hereof.

ARTICLE III

DEVELOPMENT OF FACILITIES

Section 3.01. Development of the Facility. (a) Subject to the limitations set forth in, and in accordance with, the Facility Agreements, the District will use its best efforts to develop, acquire, construct, finance and operate the Facility. The District will use its best efforts to meet the milestone schedule set forth in the Power Purchase Agreement.

(b) The District may, in its sole discretion, determine that (i) key approvals or permits for the Facility cannot be obtained on a timely basis or that the District cannot otherwise meet its obligations hereunder or under the Power Purchase Agreement, or (ii) proceeding with the development, acquisition and construction of the Facility will result in unacceptable risk to the District. In such case the District shall have no further obligation to develop the Facility and the District shall exercise its option to terminate the Power Purchase Agreement pursuant to Section 4.02(a) thereof.

(c) In addition to the termination right set forth in subsection (b), the District may, in its sole discretion, at any time after expiration of the Authority's option referred to in Section 4.01(a)(i) and prior to the Department Commitment Time, determine that the development, acquisition, construction, financing or operation of the Facility with the Power Purchase Agreement will result in a cost of such Facility that is or will become unacceptable or is otherwise not in the best interests of the District. In such case the District shall so advise the Parties in writing and shall develop, acquire, construct, finance and operate the Facility in accordance with the provisions of this Agreement without the Power Purchase Agreement. In such case the District shall (i) exercise its option to terminate the Power Purchase Agreement pursuant to Section 4.02(a) thereof, and (ii) repay to the Escrow Agent the full amount of Development Costs paid by the Escrow Agent to the District from the Escrow Account pursuant to the Escrow Agreement. The obligations of the District contained in Sections 3.06, 3.07 and 3.08 hereof shall terminate if the Facility is undertaken by the District pursuant to this Section 3.01(c).

Section 3.02. Site; Title Report. District shall use its best efforts to identify and control a site(s) in the District for the location and feasible installation of the Facility either through the acquisition of a site or the leasing thereof for a term sufficient to comply with the provisions of the Facility Agreements. Prior to the Department Commitment Time, the District will obtain a title report (together with municipal and/or Uniform Commercial Code (UCC) searches) from a title insurance company reasonably acceptable to the Department with respect to the District's interest in the site. The District shall not be obligated by this Section 3.02 to obtain title insurance with respect to its interest in the site.

Section 3.03. Environmental Audit. Prior to acquiring the site pursuant to Section 3.02 hereof, the District will obtain an Environmental Audit reasonably acceptable to the Department.

Section 3.04. Storage of Assets. On and after the Closing Date, the District will arrange for the storage of the Assets in accordance with prudent utility practice and manufacturer warranty requirements until such Assets are either incorporated into the Facility or sold in accordance with the provisions of this Agreement. The District will arrange for the insurance of

the Assets during any shipment, storage, Facility construction and operation periods having terms and provisions reasonable acceptable to the Authority and the Department. Except as provided in Section 2.02(b) hereof, the District will not grant or permit to be imposed on the Assets any lien or other encumbrance prior to the time the Assets are either incorporated into the Facility or sold in accordance with the provisions of this Agreement.

Section 3.05. Permits and Approvals. The District shall use its best efforts to obtain all permits and governmental approvals necessary for the acquisition of the Facility site, and the acquisition, construction and operation of the Facility and to meet its obligations under the Facility Agreements. The District shall either (a) submit an application for certification (“AFC”) for the Facility to the California Energy Commission (“CEC”), and expeditiously provide all required data so that the AFC can be deemed data adequate by the CEC, or (b) file applications for land, air, water and construction permits for the Facility with the appropriate regulatory authorities and expeditiously provide all required data so that the applications can be deemed data adequate by the appropriate agency, in either case, as soon as reasonably practicable.

Section 3.06. Management Agreement(s). In the event the Facility is undertaken pursuant to Section 3.01(a), the District shall use its best efforts to enter into one or more Management Agreement(s).

Section 3.07. EPC Contract. In the event the Facility is undertaken pursuant to Section 3.01(a), the District shall use its best efforts to enter into an EPC Contract.

Section 3.08. Financing of the Facility. In the event the Facility is undertaken pursuant to Section 3.01(a), the District shall use its best efforts to issue the Initial Bonds to finance the Facility Cost.

ARTICLE IV

OPTIONS; SALE OF ASSETS

Section 4.01. Authority Purchase Option. (a) In the event that the District has (i) not (A) secured a site for the construction of the Facility, and (B) either filed an AFC with the CEC for the Facility or filed applications for land, air, water and construction permits for the Facility with the appropriate regulatory authorities, each by the Authority Option Date, or (ii) made a determination referred to in Section 3.01(b) hereof, the Authority shall have the right but not the obligation to purchase any or all Units from District at a price of \$2,500,000 per Unit and terminate this Agreement upon thirty (30) days written notice. The Authority shall pay such purchase price upon the financing of the facility utilizing such Unit(s). Upon the exercise of such option by the Authority, title to the Assets, together with all other transferable rights and property financed with moneys on deposit in the Escrow Account under the Escrow Agreement, shall automatically vest in the Authority. In the event of such termination, the District shall, upon request of the Authority, deliver or cause to be delivered to the Authority such documentation as may be necessary to evidence the District’s transfer of its interest in the Assets and such other rights and property. In addition, upon the Authority’s payment of the purchase price to the District for the Unit(s)/Assets, all right, title and interest of the District in and to the proceeds of the Escrow Account shall automatically vest in the Authority.

Section 4.02. Sale of Assets. (a) In the event the Power Purchase Agreement is terminated pursuant to Section 4.02 thereof, and (b) the Authority does not elect to exercise its option pursuant to Section 4.01 hereof, then the District shall promptly sell such Unit(s) by means of a public bidding process. In consideration of undertaking the obligations hereunder, the District shall be entitled to retain the greater of (a) first \$2,500,000 of proceeds from the sale of a Unit, plus 5% of any amount in excess of \$2,500,000 and (b) the District Shortfall Amount, with any remaining proceeds being deposited in the Electric Power Fund.

(b) Agreement Termination Upon Sale of Assets and Exclusive Remedy. This Agreement shall terminate upon the sale of the Assets pursuant to subsection (a). Any proceeds of such sale received by the District shall be the District's exclusive remedy for the District's inability to develop, finance and complete the Facility for any reason. Notwithstanding any provision to the contrary, the District shall not have recourse against the Attorney General, the Authority or the Department for any costs in connection with the Facility and the Authority and the Department shall incur no liability to any other person as the result of any termination or abandonment of the Facility by the District.

ARTICLE V

OBLIGATIONS OF DISTRICT

Section 5.01. District's Obligations; No Debt of District. The obligations of the District hereunder are limited obligations of the District payable solely from amounts in the Escrow Fund and do not constitute a debt of the District in contravention of any constitutional or statutory limitation or restriction and do not constitute obligations for which the District is obligated to levy or pledge any form of taxation. The District shall not be obligated to meet its obligations hereunder from any funds other than moneys made available to the District for development purposes under the Escrow Agreement.

Section 5.02. District May Delegate to Agents; Agreements with the Authority. The District may delegate its obligations under the Facility Agreements to agents acting on its behalf. Pursuant to Section 2.04(e), the Authority and the District may enter into agreements from time to time pursuant to which the Authority may perform certain District obligations hereunder in accordance with the terms thereof.

ARTICLE VI

REPRESENTATIONS

Section 6.01 Representations. Each Party hereto makes the following representations and warranties:

(a) The Party has the power and authority to execute, deliver and perform this Agreement and its obligations hereunder.

(b) The execution, delivery and performance of this Agreement and the consummation of the transactions by the Party herein contemplated have been duly authorized by all requisite action on the part of the Party and will not violate any provision of law, any order of

any court or agency of government, or the charter of the Party, or any indenture, agreement or other instrument to which the Party is a party or by which it or any of its property is subject to or bound, or be in conflict with or result in a breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument or result in the imposition of any lien, charge or encumbrance of any nature whatsoever.

(c) This Agreement constitutes the legal, valid and binding obligation of the Party enforceable against the Party in accordance with its terms.

(d) There is no action or proceeding pending or, to the best knowledge of the Party, threatened by or against the Party by or before any court or administrative agency that might adversely affect the ability of the Party to perform its obligations under this Agreement and all authorizations, consents and approvals of governmental bodies or agencies required to be obtained by the Party as of the date hereof in connection with the execution and delivery of this Agreement or in connection with the performance of the obligations of the Party hereunder have been obtained.

ARTICLE VII

EVENTS OF DEFAULT

Section 7.01. Events of Default. An “Event of Default” shall exist mean with respect to a party (“Defaulting Party”) if:

(a) default shall be made by the Defaulting Party in the performance or observance on its part of any of the agreements or obligations contained in this Agreement and such default shall continue for a period of thirty (30) days after written notice thereof to the Defaulting Party by the Non-Defaulting Party.

(b) Any material representation or warranty made by or on behalf of a Party herein shall prove to be false, misleading or incorrect in any material respect as of the date made.

Section 7.02. Remedies for Events of Default. (a) If an Event of Default occurs and is continuing, a Non-Defaulting Party may exercise any remedies available to it at law, in equity, by statute or otherwise, including, but not limited to, the right to seek injunctive relief to prevent irreparable injury to the Non-Defaulting Party or mandamus to compel performance of obligations hereunder.

(b) In addition to any remedies available under subsection (a), upon an Event of Default by the District the Attorney General may repossess the Assets and/or terminate the District’s rights to make requisitions from and take possession of the Escrow Account. In the event the Attorney General elect to repossess the Assets pursuant to this Section 7.02, title to the Assets shall automatically vest in the Attorney General and the District shall, upon request of the Attorney General, deliver or cause to be delivered to the Authority such documentation as may be necessary to evidence the District’s transfer of its interest in the Assets.

Section 7.03. Remedies not Exclusive. Except as provided in Section 4.02(b) above and in Section 7.05 below, no remedy by the terms of this Agreement conferred upon or reserved to

the Non-Defaulting Party is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute.

Section 7.04. Effect of Waiver and Other Circumstances. No delay or omission of the Non-Defaulting Party to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such default or to be an acquiescence therein and every power and remedy given by this Article to the Non-Defaulting Party may be exercised from time to time and as often as may be deemed expedient by the Non-Defaulting Party. A Non-Defaulting Party may waive any past default hereunder and its consequences. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 7.05. Dispute Resolution As to Disputes Between the District and the Authority. Notwithstanding any provision of the contrary in this Agreement, in the event of any dispute between the Authority and the District arising out of this Agreement (including, but not limited to the issue of whether any particular cost is reasonable and necessary for the development of the Facility or the conduct of the Authority in carrying out its review and/or oversight functions with respect to the Escrow Account):

(a) the Authority and the District shall first meet within three (3) business days and confer in an attempt to resolve the dispute;

(b) in the event that the Authority and the District are unable to resolve the dispute; then to the extent that the dispute relates to a material matter arising out of this Agreement, the matter shall be submitted to the Attorney General for determination. Any determination of by the Attorney General shall be conclusive and binding on the District and the Authority, with no right of appeal.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the State of California, without regard to the conflicts of laws rules thereof.

Section 8.02. Amendment. Neither this Agreement nor any provision hereof may be amended, waived, discharged or terminated except by an instrument in writing signed by the Parties.

Section 8.03. Counterparts. This Agreement may be executed in any number of counterparts, and upon execution by the Parties, each executed counterpart shall have the same force and effect as an original instrument and as if the Parties had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement

without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto but having attached to it one or more signature pages.

Section 8.04. Limitations of Liability, Remedies and Damages. Each Party acknowledges and agrees that in no event shall any officer, member of its governing bodies, employee, or affiliate of either Party be liable to any other person or Party for any payments, obligations, or performance due under this Agreement or any breach or failure of performance of either Party, or for any loss or damage to property, loss of earnings or revenues, personal injury, or any other direct, indirect, or consequential damages or injury, or punitive damages, which may occur or result from the performance or non-performance of this Agreement, including any negligence arising hereunder, and the sole recourse for performance of the obligations under this Agreement shall be against District and or against the Department and the Trust Estate, and not against any other person, except for such liability as expressly assumed by an assignee or guarantor pursuant to an assignment of this Agreement.

Section 8.05. Transfer of Interest in Agreement. No Party shall voluntarily assign or transfer this Agreement or any portion thereof, nor any of the obligations or rights hereunder, without the prior written consent and approval of the other Party, which consent shall not be unreasonably withheld or delayed.

Section 8.06. Severability. In the event that any of the terms, covenants or conditions of this Agreement, or the application of any such term, covenant or condition, shall be held invalid as to any person or circumstance by any court, regulatory agency, or other regulatory body having jurisdiction, all other terms, covenants or conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect unless a court, regulatory agency, or other regulatory body holds that the provisions are not separable from all other provisions of this Agreement.

Section 8.07. Relationship of the Parties.

(a) Nothing contained herein shall be construed to create an association, joint venture, trust, or partnership, or impose a trust or partnership covenant, obligation, or liability on or with regard to any one or more of the Parties. Each Party shall be individually responsible for its own covenants, obligations, and liabilities under this Agreement.

(b) All rights of the Parties are several, not joint. No Party shall be under the control of or shall be deemed to control another Party. Except as expressly provided in this Agreement, no Party shall have a right or power to bind another Party without its express written consent.

Section 8.08. No Agency. Unless otherwise agreed in writing, in performing their respective obligations hereunder, no Party is acting, or is authorized to act, as agent of any other Party.

Section 8.09. Third Party Beneficiaries. Except as provided in Section 8.15 below, this Agreement shall not be construed to create any rights in, or to grant remedies to, any third party as a beneficiary of this Agreement or of any duty, obligation or undertaking established herein.

Section 8.10. Waivers. Any waiver at any time by any Party of its rights with respect to a default under this Agreement, or any other matter under this Agreement, shall not be deemed a waiver with respect to any subsequent default of the same or any other matter.

Section 8.11. Waiver of Consequential Damages. In no event, whether based on contract, indemnity, warranty, tort (including, as the case may be, a Party's own negligence) or otherwise, shall either Party be liable to the other Party or to any other person or party for or with respect to any claims for consequential, indirect, punitive, exemplary, special or incidental damages or otherwise.

Section 8.12. Headings. The headings contained in this Agreement are solely for the convenience of the Parties and should not be used or relied upon in any manner in the construction or interpretation of this Agreement.

Section 8.13. Further Assurances. Each Party agrees to execute and deliver such other instruments and documents and to take such other actions as may be reasonably necessary to complete performance hereunder and otherwise to further the purposes and intent of this Agreement.

Section 8.14. Application of Government Code and the Public Contracts Code. Pursuant to Section 80014(b) of the Water Code, the Department hereby determines that it would be detrimental to accomplishing the purposes of Division 27 (commencing with Section 80000) of the Water Code to make such provisions applicable to this Agreement and that such provisions and requirements are therefore not applicable to or incorporated in this Agreement.

Section 8.15. Execution by Authority. The Attorney General, the District and the Department acknowledge that the Authority will seek authorization to execute this Agreement during January, 2003 and agree that the Authority shall be a third party beneficiary hereof until the earlier of (a) execution of this Agreement by the Authority and (b) January 31, 2003. In the event the Authority does not execute this Agreement, the Attorney General, the District and the Department nevertheless agree to be bound by the terms hereof and any obligations of the Authority hereunder shall be performed by a party or parties mutually acceptable to the Attorney General, the District and the Department.

Section 8.16. Time is of Essence. All Parties acknowledge and agree that time is of essence with respect to the obligations, terms, and conditions of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representative.

ATTORNEY GENERAL OF THE STATE OF
CALIFORNIA

By: _____
Name:
Title:

CALIFORNIA CONSUMER POWER AND
CONSERVATION FINANCING AUTHORITY

By: _____
Name:
Title:

KINGS RIVER CONSERVATION DISTRICT

By: _____
Name: David Orth
Title: General Manager

STATE OF CALIFORNIA DEPARTMENT OF
WATER RESOURCES, separate and apart from its
powers and responsibilities with respect to the State
Water Resources Development System

By: _____
Name:
Title:

Escrow Agreement

Exhibit 1

Power Purchase Agreement